

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Milwaukee Water Works, Milwaukee County, Wisconsin, for 3720-WR-107
Authority to Increase Water Rates.

REBUTTAL TESTIMONY OF CARRIE LEWIS ON BEHALF OF THE MILWAUKEE WATER WORKS

1 **Q. Please state your name and business address.**

2 A. Carrie Lewis, Milwaukee Water Works, 841 N. Broadway, Milwaukee WI 53202

3 **Q. Have you previously submitted direct testimony in this proceeding?**

4 A. Yes.

5 **Q. What is the purpose of your rebuttal testimony?**

6 A. The purpose of this rebuttal testimony is to address issues related to the Revenue Requirement,
7 Cost of Service Study, Rate Design, and Proposed Economic Development Water Rate, and
8 comments from the previous round of rebuttal testimony.

9 **Q. What are your comments with respect to the staff's Revenue Requirement?**

10 A. Milwaukee Water Works (MWW) has no objections to the revised Revenue Requirement, and
11 thanks the Public Service Commission of Wisconsin (PSCW) for the opportunity to submit
12 updated cost data utilizing 2009 year end actual and other information not known at the time of
13 the original submittal.

14 **Q. What are your comments with respect to the staff's Cost of Service Study?**

15 A. MWW has no objections to the revised Cost of Service Study. We are strongly supportive of
16 PSCW updating various assumptions, especially those based on the drought year of 1988. In
17 1988, not only were four current wholesale communities (Butler, Menomonee Falls,
18 Mequon/Thiensville, and New Berlin) not yet purchasing water from MWW, but water use

patterns existed which are unlikely to ever be replicated again—for instance, on a single day in that year, over 2,000 hydrants were illegally opened. In addition, MWW agrees that water consumption is exhibiting a consistent downward trend that is not completely independent of weather but strongly reflective of permanent changing water use patterns. MWW also supports PSCW utilizing additional detailed information provided by MWW in the ratemaking, as well as the use of a consistent methodology being applied by the PSCW to all utilities in the state, including MWW.

Q. What are your comments with respect to the Revised Rate Design Proposal?

A. MWW supports the revised rates and the tempering as proposed.

Q. How will this increase impact customers and how does this compare to other utilities?

A. Under the Revised Rate Design Proposal, the average single family residential water bill will increase \$10.92 per quarter (based on 15 Ccf of water used) to \$47.19 per quarter. This is a slight decrease from the rates proposed in the Alternative Rate Design previously proposed on April 1, 2010. The Milwaukee average residential customer will pay \$0.52 per day for water, or one cent for three gallons. Commercial and industrial customers will also see slight decreases in water charges compared to the Alternative Rate Design. These decreases are directly related to the updated cost data submitted by MWW to PSCW. MWW's highly competitive position, both locally and nationally, remains similar to that in the Alternative Rate Design Proposal, discussed in prior rebuttal testimony. MWW supports the rate tempering for retail customers and the clear message that further movement toward all customers paying 100% of their cost of service will be made in future rate proceedings.

Milwaukee customers in all customer classes will continue to benefit from fresh, safe, high quality water at reasonable prices.

Q. Do you have comments regarding the Proposed Economic Development Water Rate for Milwaukee Water Works?

1 A. Yes. Notwithstanding Mr. Behm’s supplemental direct testimony on this topic, MWW remains
2 concerned that, without the modifications requested in MWW rebuttal testimony, the
3 requirements to qualify for the Economic Development Rate are so stringent as to make the rate
4 inaccessible.

5 In response to Mr. Rothstein’s and Mr. Wojcehowicz’ s comments that the Economic
6 Development Rate should be available to wholesale customers, it would seem logical that the
7 wholesale customer utility would simply request that such a rate be developed by PSCW and
8 added to the tariff of the wholesale utility. MWW tariff rates do not apply to wholesale
9 customer utilities.

10 **Q. Do you have comments in response to previous rebuttal testimony?**

11 A. Yes. Regarding comments relative to cash financing versus use of borrowed funds for capital
12 projects, these are internal matters to be decided by MWW and the City of Milwaukee and not
13 by rate case intervenors. That said, MWW’s capital program is composed of water main
14 replacements and plant/pumping/storage projects. The majority of the capital dollars are
15 directed toward water main replacements. This is a relatively steady annual investment,
16 replacing a small portion of a large network of long-lived assets. Cash financing for such
17 replacements confers no generational inequity in that each year “pays for” one year’s worth of
18 replacement. Use of cash for this purpose makes eminent good sense and also saves the
19 ratepayers the premium for interest costs avoided. There is also a baseline level of modest
20 plant/pumping/storage projects that are cash funded using the same philosophy. Large or
21 major one-time enhancements, such as the ongoing backup power generation project and the
22 major plant improvements constructed in the late 1990s are debt financed to spread these costs
23 more evenly to the benefitting users over time.

24 **Q. Do you have any other comments?**

1 A. Yes. MWW's objectives in this rate proceeding are to achieve financial stability so it can deliver
2 high quality water; for the cost of water to remain very competitive; and for customers to
3 continue to have fair value for their dollars. The rates proposed by the PSCW for MWW will
4 achieve these objectives.

5 **Q. Did you notify your customers of this hearing?**

6 A. The hearing date will be published in the Milwaukee Journal Sentinel on August 1, 2010 and
7 August 8, 2010 and in various community newspapers on their weekly publication date prior to
8 the hearing. Certified copies of the proofs of notice will be provided.

9 **Q. Does this conclude your rebuttal testimony?**

10 A. Yes.